

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LONDON

C O N F I D E N T I A L STATE 086769

FOLLOWING SENT ACTION SECSTATE FROM BRASILIA MAY 02
REPEATED YOU:

QUOTE

C O N F I D E N T I A L BRASILIA 2523

E. O. 11652: ADS

TAGS: ETRD

SUBJ: SOLUBLE COFFEE-- BRAZILIAN PROPOSAL TO TERMINATE AGREEMENT

REF: STATE 080360

1. IN RESUMPTION OF OUR PRIVATE TALKS CONCERNING SOLUBLE,
MINISTER MARCUS VINICIUS INFORMED ME THAT AFTER FURTHER
REFLECTION, FOR REASONS WHICH HE HAD PREVIOUSLY GIVEN ME
AND WHICH HE REPEATED, GOB WOULD NOT RPT NOT BE PREPARED
TO GO BEYOND OFFER AS COMMUNICATED AT OUR LAST MEETING. HE
SAID THAT SOLUBLE ACCORD HAD CEASED TO BE OPERATIVE WHEN
DECISION MADE IN DEC THAT THERE WOULD BE NO QUOTAS, AND
GOB HAD DECIDED AT THAT TIME THAT NOTIFICATION SHOULD BE
GIVEN TO U. S. THAT IT NO LONGER CONSIDERED AGREEMENT IN
EFFECT. BECAUSE OF DELAYS IN U. S. ACCEPTANCE OF
CONSULTATION, HOWEVER, THIS HAD NOT BEEN COMMUNICATED
UNTIL MARCH 21. IN VIEW OF THIS DELAY, GOB WOULD BE WILLING
TO EXTEND PERIOD OF COMPENSATION FOR FULL QUARTER FROM
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OCT 15 TO JAN 14, PROVIDED THAT U. S. AND BRAZIL COULD AGREE UPON CANCELLATION OF THE AGREEMENT WITH COMPENSATION ON THIS BASIS.

2. I RESPONDED AT LENGTH, RESTATING OUR POSITION ON WHOLE MATTER, INCLUDING A) VIOLATIONS OF ARTICLE 44 OF ICA WHICH HAD LED TO OUR CLAIMS PRECEDING SOLUBLE ACCORD; B) FACT THAT SOLUBLE AGREEMENT WAS DESIGNED TO REMEDY DISCRIMINATION AGAINST U. S. SOLUBLE PRODUCERS AND IN JUDGMENT MANY CONCERNED WITH COFFEE AFFAIRS WAS A QUID PRO QUO FOR CONTINUATION OF U. S. PARTICIPATION IN ICA UNTIL EXPIRATION AT END OF 1973; C) SOLUBLE ACCORD THUS HAD NO PROVISIONS FOR TERMINATION; D) WE HAD NO RPT NO INDICATION BEFORE MARCH 21 OF GOB INTENTION TO CANCEL ACCORD AND THEREFORE ACTIONS AFFECTING AGREEMENT PRIOR TO THAT TIME WOULD BE RETROSPECTIVE AND OF QUESTIONABLE PROPRIETY. I SAID THAT OUR POSITION IN THIS MATTER HAD OF COURSE BEEN EXPLAINED IN DETAIL ON MANY PREVIOUS OCCASIONS, AS HAD GOB POSITION, AND THERE WOULD NOT NOW APPEAR TO BE ANY POSSIBILITY OF RECONCILING CONFLICTING VIEWS. IF GOB HAS TAKEN IRREVOCABLE POSITION THAT AGREEMENT IS TERMINATED, THAT IS UNILATERAL DECISION AND WE WOULD NOT, OF COURSE, BE EXPECTED TO ACCEPT IT AS OUR OWN. SIMILARLY, OUR VIEWS ON APPROPRIATE COMPENSATION DIFFERED MARKEDLY, AND IF GOB HAD DECIDED THAT IT COULD OFFER ALLOCATION FOR ONLY ONE FULL QUARTER, THAT WAS UNILATERAL DECISION. IN THIS REGARD I USED WORDING IN DEPT' S REFTEL " IN FINAL ANALYSIS A DECISION ON COMPENSATION IS BRAZIL' S OWN; NO USG BLESSING CAN BE EXPECTED FOR ANYTHING LESS THAN FULL COMPLIANCE."

3. I STRESSED THAT THE CLOSER GOB' S ACTION APPROXIMATES FULL COMPLIANCE, THE LESS THE HARM WHICH IS LIKELY TO BE INFLICTED UPON OUR ECONOMIC RELATIONSHIPS. BRAZIL' S FULFILLMENT OF ITS OBLIGATIONS UP TO TIME OF NOTIFYING US OF TERMINATION WOULD BE FAR MORE REASONABLE. I MADE CLEAR ALSO THAT WE HAVE SHARPLY DIFFERING VIEWS UPON ATTITUDES OF MEMBERS OF U. S. INDUSTRY WITH RESPECT TO PREVIOUS BRAZILIAN OFFER OF COMPENSATION, AND MADE POINT THAT THERE ARE INTERESTS CONCERNED OTHER THAN THOSE REPRESENTED BY FIRMS WITH WHICH GOB HAD HAD DISCUSSIONS.

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4. MARCUS VINICIUS INDICATED THAT HIS OFFER OF ONE FULL QUARTER WAS BASED UPON ASSUMPTION THAT AGREEMENT WITH U. S. COULD BE REACHED, AND IT APPEARED FROM HIS COMMENTS THAT IN THE ABSENCE OF SUCH AGREEMENT HIS OFFER MIGHT BE CONFINED TO PERIOD OCT 15 TO DEC 12. I BELIEVE, HOWEVER, THAT I WAS SUCCESSFUL IN PERSUADING HIM THAT IT WAS WHOLLY

UNREALISTIC TO EXPECT ANY SUCH AGREEMENT ON OUR PART IN
VIEW OF OUR CONVICTION THAT SOLUBLE ACCORD SHOULD BE FULLY
COMPLIED WITH. SINCE, THEREFORE, DECISION ON THIS POINT
AND ON COMPENSATION WOULD BE UNILATERALLY MADE BY GOB,
THEY SHOULD NOT
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